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BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Chairman,
Subcommittee On Oversight And Investigations
Committee On Energy And Commerce
House Of Representatives**

COMPLETED
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Accelerated Onshore Oil And Gas Leasing May Not Occur As Quickly As Anticipated

One of President Reagan's goals is to encourage development of the Nation's energy resources by providing greater access to Federal lands and streamlining the leasing process. However, (1) the administration has not progressed as quickly as it had anticipated in accelerating access to additional lands for onshore oil and gas leasing and (2) problems with the present leasing system may prevent a significant increase in leasing in the near future even if greater access is achieved.

The Department of the Interior needs to take a realistic look at how it can significantly increase onshore oil and gas leasing in view of problems in the system and its staffing and budgetary constraints.

EMD-82-34
FEBRUARY 8, 1982

I

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WASHINGTON, D.C. 20548

ENERGY AND MINERALS
DIVISION

B-206192

The Honorable John D. Dingell
Chairman, Subcommittee on Oversight
and Investigations
Committee on Energy and Commerce
House of Representatives

Dear Mr. Chairman:

This report responds to your July 17, 1981, request and subsequent discussions with your staff regarding key initiatives taken or planned by the Department of the Interior in (1) opening more Federal lands for leasing, and (2) streamlining the leasing process. Also, included are problems Interior is experiencing in administering the leasing program.

At the request of your office, we did not obtain official comments from the Department of the Interior on the draft report. As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution on this report until 30 days from the date of this report. At that time, copies will be sent to the Department of the Interior and other interested parties.

Sincerely yours,

J. Dexter Peach
Director

III

REPORT BY THE GENERAL ACCOUNTING OFFICE TO THE SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS, COMMITTEE ON ENERGY AND COMMERCE HOUSE OF REPRESENTATIVES

ACCELERATED ONSHORE OIL AND GAS LEASING MAY NOT OCCUR AS QUICKLY AS ANTICIPATED

D I G E S T

Many of President Reagan's policies differ markedly from those of the previous administration's. Encouraging the development of the Nation's energy resources on Federal lands is a specific example. This administration plans to encourage development of the Nation's energy resources by providing greater access to Federal lands and streamlining the leasing process. According to the recent National Energy Policy Plan,

> "The Federal Government's most direct impact on America's energy future arises from its position as the steward of the Outer Continental Shelf and of 762 million acres of publicly-controlled land, one-third of the land area of the United States. These lands contain an estimated 85 percent of the Nation's oil, 40 percent of our natural gas * * *. The Federal role in national energy production is to bring these resources into the energy marketplace, while simultaneously protecting the environment."

This report--prepared in response to a request from the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce--attempts to pull together information on key initiatives either taken or planned by the administration, and progress to date, with respect to onshore oil and gas leasing. The Chairman expressed particular interest in knowing what specific steps have been taken or are planned to open more lands for leasing and to streamline the leasing program, and the basis for those actions.

LIMITED SUCCESS TO DATE IN OPENING SUBSTANTIAL ADDITIONAL FEDERAL LANDS

Overall, the new administration has not progressed as quickly as had been anticipated in accelerating

access to Federal lands for onshore oil and gas leasing.

Little additional Federal land has actually been leased to date, although the Department of the Interior has taken various steps which should result in making more land available for leasing in future years. (See ch. 2.) Primary initiatives include

--expediting congressionally mandated withdrawal reviews and

--streamlining internal land status record-keeping procedures.

In addition, Interior has made steady progress in implementing congressional mandates to open Alaskan lands for leasing, including plans to

--lease lands within the National Petroleum Reserve in Alaska (the first sale of 1.5 million acres was held on January 27, 1982);

--open 35 million acres of Bureau of Land Management (BLM) lands below the North Slope for leasing, with the first sale involving 276,480 acres in April 1982; and

--begin geophysical exploration of the Arctic National Wildlife Range in December 1982 (as early as the law allows).

Interior's initiatives have been less successful in other cases. For example, although the Secretary of the Interior reopened 6.6 million acres of acquired military lands for leasing in August 1981, it is questionable whether the substantial effort involved in doing that will pay off in many new leases in the near future because of litigation and doubtful consent from military base commanders. In addition, the administration's efforts to lease designated wilderness areas have been thwarted by congressional and public opposition--and the outlook for the administration's reaching its goal in these areas is dim.

Finally, while the 12 million acres of wildlife refuges in the lower 48 States could legally be leased, BLM regulations have prohibited such

leasing in the past, and the Director of BLM recently decided not to change this policy.

TOO EARLY TO DETERMINE WHETHER THIS ADMINISTRATION'S STREAMLINING CHANGES WILL EXPEDITE LEASING

The basic onshore oil and gas leasing system--including both its noncompetitive and competitive components (described on pp. 4 to 7)--stems from longstanding laws and regulations which essentially have remained unchanged from prior administrations. Interior, however, recently has either proposed or taken various steps to streamline leasing procedures, automate the system, and improve coordination of leasing functions both within the Department and with other agencies. As in the case of opening up more land, these actions were initiated within Interior itself and were not specifically directed by the White House or elsewhere. It is too early to determine whether these actions, at least in the near future, will allow any substantial increases in leasing. (See ch. 3.)

A key streamlining measure involves the environmental review process. This measure--which was determined consistent with the National Environmental Policy Act (NEPA) and approved by the Council on Environmental Quality under the previous administration--eliminates the need for detailed environmental assessments on most onshore oil and gas leases. For now, the leasing system continues to have appropriate built-in safeguards to protect the environment.

PROBLEMS WITH PRESENT LEASING SYSTEM MAY PREVENT SIGNIFICANT INCREASE IN LEASING

Even if all the efforts to speed up access to Federal lands and to streamline leasing procedures are successful, it is doubtful whether Interior can significantly increase the amount of leasing in the near future because of continuing serious problems with the present onshore oil and gas leasing system. The large backlog of pending lease applications and poorly maintained land status records make it difficult for BLM to process leases for lands already in the system, let alone handle additional leases for any newly opened lands.

Management and coordination must be improved if the goal of accelerated leasing is to be realized. However, this poses budget implications at a time when Interior is proposing no increases in staffing for this program. (See ch. 4.)

While GAO's study was directed to providing an overview for the Subcommittee Chairman and was not intended to be carried out in sufficient depth to lead to any new recommendations, GAO notes that the administration--and, in particular, the Department of the Interior--needs to take a realistic look at how it can significantly increase onshore oil and gas leasing in view of problems in the system and its staffing and budgetary constraints. As the Department grapples with this dilemma, we believe that recommendations included in two previous GAO reports--"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development" (EMD-81-40, Feb. 11, 1981), and "Streamlining and Ensuring Mineral Development Must Begin at Local and Management Levels" (EMD-82-10, Dec. 4, 1981), may prove useful. The recommendations from the two reports are cited, as appropriate, throughout the body of this report. (See pp. 23 to 24, 36, and 51 to 52.)

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ABBREVIATIONS

ANILCA	Alaska National Interest Lands Conservation Act
APD	Application for permit to drill
BLM	Bureau of Land Management
BOP	Bureau of Prisons
CER	Categorical exclusion review
DOD	Department of Defense
DOE	Department of Energy
DSC	Denver Service Center
EA	Environmental assessment
EIS	environmental impact statement
FLPMA	Federal Land Policy and Management Act
FS	Forest Service
FWS	Fish and Wildlife Service
GAO	General Accounting Office
KGS	Known geologic structure
NEPA	National Environmental Policy Act
NPR-A	National Petroleum Reserve in Alaska
OIG	Office of Inspector General
OMB	Office of Management and Budget
OMR	Optical mark reader
OTC	Over-the-counter
SMA	Surface management agency
SOG	simultaneous oil and gas system
USGS	United States Geological Survey
WSA	Wilderness study area

CHAPTER 1

INTRODUCTION

Many of President Reagan's policies differ markedly from those of the previous administration's. Encouraging the development of the Nation's energy resources on Federal lands is a specific example. This administration plans to increase access to Federal lands--believed to hold a substantial portion of the Nation's remaining energy resources--by opening lands previously unavailable for leasing.

The administration has indicated that the pace of leasing, particularly for onshore oil and gas, will be accelerated in response to growing interest on the part of industry in exploration and development, and also that the accelerated pace would increase the Federal workload to support such activity.

The Secretary of the Interior, as chief overseer of most Federal lands, and head of the President's Cabinet Council on Natural Resources and Environment, has established a goal to expand opportunities for energy and mineral resource use of public lands by providing greater access to Federal lands, streamlining the leasing process, and improving the management of energy resource programs.

OBJECTIVES, SCOPE, AND METHODOLOGY

On July 17, 1981, the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, requested that we examine actions taken or planned by this administration to accelerate leasing of both onshore and offshore lands for energy/minerals exploration and development. The main focus of the request, and the context of most of the questions emanating from it, was directed at the Department of the Interior's new proposed 5-year offshore oil and gas leasing program. However, in subsequent meetings with the Subcommittee, it was agreed that in addition to our offshore work, we would also provide an overview on the initiatives taken or planned by the administration specifically regarding onshore oil and gas leasing, and the basis for them. A separate report has been issued dealing with offshore activity. 1/

More specifically with regard to onshore oil and gas, we agreed to prepare a report for the Subcommittee which would attempt to pull together information on the key initiatives taken or planned by the new administration--and progress

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1/"Pitfalls in Interior's New Accelerated Offshore Leasing Program Require Attention," EMD-82-26, Dec. 18, 1981.

to date--in (1) opening more Federal lands for oil and gas leasing and (2) streamlining the leasing program. We also agreed to disclose any problems the Department of the Interior was having in administering the leasing program.

To the extent they are appropriate, and within the limited timeframe available to do the analysis, we also agreed to seek answers to some of the same type questions asked by the Subcommittee concerning the offshore program, including

--to what extent if any, changes in the leasing program or other initiatives were specifically directed by the White House, the Office of Management and Budget (OMB), the Cabinet Council on Natural Resources and the Environment, or other groups outside the Interior Department;

--whether any changes in the leasing program might violate environmental laws or regulations, including the National Environmental Policy Act (NEPA);

--whether the Department of the Interior has sufficient staffing and other resources to adequately manage an accelerated leasing program; and

--whether industry has the capability to respond to a greatly expanded onshore program.

To answer the above questions, we interviewed Interior and Bureau of Land Management (BLM) headquarters officials; reviewed agency correspondence; reviewed written procedures, regulations, and planning and budgeting documents; and examined working files. Limited field work was done at the BLM State Office in Cheyenne, Wyoming, mainly to evaluate current problems with the leasing system--and how they were being dealt with--and the capabilities of the staff to handle the workload. This office was chosen because of its large workload in oil and gas leasing. There, we interviewed officials and examined data on leasing and other backlog problems. Elsewhere--mainly at BLM headquarters' locations--we examined data on lands available for leasing, including information on recent actions to open up more areas. Some of this data may not be completely reliable because BLM records are not in a readily usable consolidated form, basic land status records contain many inaccuracies, and the status of some lands has been changing.

Other agencies contacted to answer the Chairman's questions included: U.S. Geological Survey (USGS), Fish and Wildlife Service (FWS), and the Department of Agriculture's Forest Service (FS). We also contacted Department of Energy (DOE) and OMB officials as well as officials of the Cabinet Council on Natural Resources and Environment, mainly to determine to what extent, if any, they were involved in pushing any of the leasing initiatives.

Our effort included a review of applicable environmental regulations, including those promulgated by Interior for the categorical exclusion review (CER)--the only change we found in Interior's environmental review procedures. Also, we examined BLM's environmental review procedures at Interior headquarters but, because of time constraints, did not examine firsthand whether the State offices were following them. In addition, it is too early to determine whether the emphasis on more leasing will encourage shortcuts or abuses in following existing rules.

Finally, we did only limited work during the review on the question of whether industry is capable of handling an accelerated onshore oil and gas leasing program. To the extent appropriate, however, we utilized information from the review of Interior's accelerated offshore leasing program 1/ and industry data in order to get some kind of handle on this question.

Overall, the main focus of our work was on actions taken or not taken by the Interior Department. Our analysis of these actions, however, was supplemented to the extent possible--considering the evolving nature of the program and time constraints--by information we obtained from non-Interior sources and the inclusion of findings from our past reviews or reference to other ongoing work. This review was performed in accordance with GAO's current "Standards for Audit of Government Organizations, Programs, Activities, and Functions." Our objective was to identify and provide information for the Subcommittee on the overall status of the onshore oil and gas leasing program.

OVERVIEW OF THE ONSHORE OIL AND GAS LEASING PROGRAM

BLM administers onshore oil and gas leasing on Federal lands under the Mineral Leasing Act of 1920 (30 U.S.C. 181 et seq.) as amended, and the Mineral Leasing Act for Acquired Lands (30 U.S.C. 351-359). Amendments to the Mineral Leasing Act in 1946, however, established the basic framework for the existing system, which was designed to stimulate the discovery of new petroleum resources. The program is further defined by the Department's regulations contained in 43 CFR 3100.

Major provisions of the law are that

--All lands within a known geologic structure (KGS) of a producing oil or gas field must be leased competitively to the highest responsible qualified bidder.

--Lands not within any KGS may only be leased noncompetitively.

1/"Pitfalls in Interior's New Accelerated Offshore Leasing Program Require Attention," EMD-82-26, Dec. 18, 1981.

--In all cases, whether for competitive or noncompetitive leasing, the Secretary is not obligated to lease where he believes leasing is not in the public interest.

Within the Department, the leasing authority is delegated to the BLM field offices. USGS assists BLM offices in the technical aspects of competitive lease evaluation and administers exploration and production activities.

Other Federal agencies and bureaus are also involved in leasing of Federal oil and gas lands. The most prominent of these agencies is the Forest Service, as surface manager of some of the most promising Federal oil and gas lands. USGS also evaluates mineral resource potential for other Federal agencies.

The leasing process

There are two basic kinds of leases--competitive and noncompetitive. The leasing process is similar for both. All leasing requires a review of records, an environmental review, the receipt of filing fees, 1/ and necessary paperwork. (A more detailed discussion on the environmental review is presented in ch. 3, pp. 28-31.) Certain regulations apply to both types of leases. These include the following:

--No person or company may hold an interest in more than 246,080 acres of public or acquired land in any one State; however, there are separate limitations for public and acquired land which means that the maximum amount of Federal land interest could be 492,160 acres. Also, leases committed to any unit or cooperative plan are not counted into the acreage limitations.

--Aliens from countries without reciprocal rights, and minors may not hold leases.

--Any agreement creating overriding royalties in excess of 5 percent is prohibited for oil leases if a well reaches a stripper category.

There are, however, a number of differences which should be understood. These are discussed below.

Competitive leasing

Land must be leased competitively to the highest bidder if it lies within the boundary of a KGS. Essentially, a KGS is land with proven production; and, once a well is producing, the surrounding land is designated a KGS. Roughly 3 percent of the lands offered

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1/No filing fees for competitive leasing.

for lease are leased competitively--an estimated 300 leases per year. Applicable lease requirements include

--a minimum royalty of 12-1/2 percent, up to 25 percent based on production;

--a lease term of 5 years, continuing thereafter as long as there are paying quantities of oil or gas produced;

--rental of $2 per acre per year; and

--a maximum lease size of 640 acres.

Noncompetitive leasing

Noncompetitive leases can be obtained through either the over-the-counter (OTC) or the simultaneous oil and gas system (SOG). None of the land leased through either system is in a KGS. The over-the-counter lease is used for lands never leased before. The SOG leases are for lands previously leased but subsequently terminated, expired, canceled, or relinquished. About 3,500 over-the-counter leases are issued each year. And out of approximately 4 million applications to the SOG there are 7,500 leases issued each year. Both of these systems account for about 97 percent of the new leases issued each year. About 80 percent of all Federal onshore production comes from these leases.

Requirements for all noncompetitive leases include

--a filing fee of $25; 1/

--a royalty of 12-1/2 percent;

--a primary lease term of 10 years;

--rental of $1 per acre per year, becoming $2 if the land becomes a KGS; 1/ and

--a maximum lease size of 10,240 acres.

1/On January 11, 1982, Interior sent the final rulemaking to OMB for approval of increased filing and rental fees for noncompetitive onshore oil and gas leases. The filing fee will increase to $75 for all noncompetitive leases; and for SOG leases, the rental will increase to $3 for the 6th through the 10th year.

The Simultaneous Oil and Gas (SOG) Leasing System

BLM introduced the SOG leasing system (sometimes referred to as the "lottery") in 1959 to determine the "first qualified applicant" while accommodating the large number of people interested in obtaining leases. Adoption of this system eliminated altercations among those attempting to become the first filer in BLM State offices.

The SOG system accounts for over 66 percent of the leases processed each year. Since the oil embargo in 1973, this program has had substantial increases in filings. Presently the bi-monthly drawing in Wyoming, the BLM State office with the largest volume of applications, attracts an average of over 300,000 applications.

Parcels of land which have been leased previously and which have not had a producing well on the property are posted for drawings in each State office. Any eligible person or company may file one application for each tract on the list accompanied by a filing fee. After a 15-day filing period, drawings are held for each parcel. The winners are notified and must remit the first year's rental and sign the lease forms.

A basic premise of the SOG system is that everyone who files for a drawing on an individual parcel should have an equal chance to win. Thus, BLM regulations prohibit filing more than one card per parcel.

A BLM fraud task force was instituted in November 1979 as a result of a private citizen's report to his congressman of possible fraud involving the SOG. The task force subsequently reported to the Interior Secretary that possibly as much as 80 percent of all SOG filings were made fraudulently. In response to these findings, the Secretary, on February 29, 1980, suspended the issuance of all noncompetitive oil and gas leases, and established two additional task forces to (1) investigate suspected fraud cases for possible prosecution and (2) determine what reforms were necessary to re-establish integrity in the leasing system.

A practice was uncovered whereby individuals were putting other peoples' names into the lottery. These other persons were assigning their rights to any possible lease prior to the drawings. The individuals involved were in fact getting more than one chance in each drawing. Other abuses were found, but this situation was the most significant finding of fraud.

An emergency rulemaking by BLM established a new system for recording title transfers to address this problem. A winner could assign a lease to another party only after a 60-day waiting period. Also, pre-numbered forms for assignments were adopted, obtainable only at BLM offices.

From the beginning of the investigation through May 1, 1980, a clearance system for new leases and assignments was established which resulted in significant delays in leasing. For example, the BLM State office in Wyoming issued only two leases of those filed in 1980. The clearance procedure created a backlog problem over and above the backlogs which predated the suspension of leasing. Further details can be found in Chapter 3.

Program statistics

Approximately 12,000 oil and gas leases are issued by BLM each year, 97 percent noncompetitively. As of June 30, 1981, there were a total of 118,972 outstanding leases involving 114,228,018 acres.1/ (This is roughly comparable to the 117,818 outstanding leases involving 108,874,421 acres as of December 31, 1981, just prior to the Reagan administration.) Approximately 10 percent of these leases were producing as of that date. As of January 1, 1981, the total number of pending lease applications was 28,919, of which 9,745 were filed after July 1, 1980. This has increased to about 34,000 as of October 1, 1981, according to a BLM official.

According to Interior, 75 to 80 percent of the leases issued expire without drilling applications. Ninety-five percent of the lessees who apply for drilling permits do so in the last 2 years of the lease term, many in the last few months. We plan to report to the Congress at a future date on the extent industry is diligently exploring and developing the Federal lands already under lease.

During fiscal year 1980, Federal onshore leases produced 151,014,709 barrels of oil representing approximately 5 percent of total U.S. oil production, and over 1 trillion cubic feet of gas--representing approximately 5.4 percent of total U.S. gas production.

During fiscal year 1981, Federal onshore oil and gas revenues amounted to over $678 million in royalty income, rentals, and bonus bids. Filing fees for 1981 represented additional revenue of over $43 million.

1/The most recent available data.

CHAPTER 2

STATUS OF ADMINISTRATION'S EFFORTS TO ACCELERATE ACCESS TO FEDERAL LANDS FOR OIL AND GAS LEASING

This administration has stated its commitment to allow industry greater access to Federal lands for energy and minerals development--yet do so in an environmentally sound manner. Interior Secretary Watt has said that "[we] cannot afford to lock up the land before we know its full potential."

Because no one seems to know for sure how much Federal land is actually "open" and available for energy and mineral development--figures vary depending on the source--this administration, as one of its first orders of business, proposed to develop an inventory of all Federal lands closed to the mining and mineral leasing laws. This task, however, has been stymied by the poor state of the public land records. Thus, the administration established, as priorities

--the systematic review of all BLM withdrawals by field offices by the end of fiscal year 1982, using streamlined paperwork requirements to expedite ongoing reviews (the Federal Land Policy and Management Act of 1976 requires that a review of all BLM mineral withdrawals in specified States be completed by fiscal year 1991) and

--the clearing up of backlogged requests for relinquishments on lands no longer required by other agencies for special uses.

In addition, the administration is taking other initiatives to actually open Federal lands, mostly relating to Alaska. Although these actions are consistent with the administration's plans to open more public lands for leasing, they are also in response to various legislative mandates passed by the Congress, including the Alaska National Interest Lands Conservation Act (ANILCA) (P.L. 96-487). These include plans to

--lease the National Petroleum Reserve in Alaska (NPR-A), with the first sale of 1.5 million acres originally scheduled for December 1981, but now postponed until January 27, 1982;

--open 35 million acres of BLM lands below Alaska's North Slope for leasing beginning April 1982; and

--issue geophysical exploration permits for the Arctic National Wildlife Range in December 1982.

Additionally, the administration has attempted to open up other lands in the lower 48 States for leasing--including acquired military lands and designated wilderness areas.

Overall, however, relatively little progress has been made in actually opening substantial additional acreage for leasing--particularly in the lower 48 States--because of the following major problems:

--Incomplete withdrawal reviews.

--Inherited backlogs of revocation requests.

--Litigation concerning leases on acquired military lands.

--Uncertain status and nature of formal and administrative withdrawal actions.

--Incomplete wilderness study area reviews.

--Unsettled land transfer claims in Alaska.

--Public opposition generally to oil and gas leasing in designated wilderness and other areas.

Nonetheless, the administration's initiatives should speed the process of opening lands to leasing in the future. However, even if they do, it is doubtful whether this will significantly increase the number of leases BLM issues in the foreseeable future. There are serious backlogs within the oil and gas leasing program (discussed in chapter 4) which first must be addressed in order to make any newly opened Federal lands really available for leasing and ultimately for development.

Our analysis indicated that most initiatives to open Federal lands for oil and gas development originated either from within the Department of the Interior or the Department of Agriculture. Although not specifically directed, these initiatives likely were influenced by more general statements of policy from the highest levels in the new administration, including the President. In addition, many are consistent with recommendations included in our February 1981 report "Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," as discussed in more detail on page 23.

LAND STATUS

The public mineral estate is comprised of about 798 million acres, approximately 60 million acres of which represents land for which the Federal Government retained the rights only to subsurface minerals. The Federal Government controls both the surface and the subsurface of the remaining 738 million acres. The latest published Federal statistics indicate that Alaska

which the Federal Government retained the rights only to subsurface minerals. 1/ The Federal Government controls both the surface and the subsurface of the remaining 738 million acres. The latest published Federal statistics indicate that Alaska accounts for 327 million acres, although this has recently been reduced to 302 million acres by transfers to the State and Natives. Of total Federal lands, BLM administers 397.5 million acres, or about 54 percent. FS administers 187.5 million acres, or about 25 percent, and the remainder is administered by a variety of agencies. USGS considers approximately 374 million acres of the Federal holdings to be prospectively valuable for oil and gas.

The following schedules detail the major surface management agencies' land holdings.

1/U.S. Dept. of Interior, "Public Land Statistics--1980" (data as of Dec. 31, 1979).

Table 1

Land Owned by the United States

	Acres
Civil agencies:	
BLM	397,522,836
Forest Service	187,536,399
National Park Service	68,277,167
Fish and Wildlife Service	43,155,006
Water and Power Resources Service	6,615,818
All other	4,751,596
Total	707,858,822
Defense agencies:	
Air Force	8,301,994
Army	10,670,218
Navy	3,225,383
Corp. of Engineers	8,234,489
Total	30,432,084
Total Civil and Defense Agencies	a/738,290,906

a/U.S. Dept. of Interior, "Public Land Statistics--1980" (data as of fiscal year 1979)

Table 2

Land Owned by the United States in Alaska

(in millions of acres)

	Acres
BLM	150.5
Fish and Wildlife Service	75.4
National Park Service	50.6
Forest Service	23.2
Military and Other Federal Agencies	2.6
Total	a/302.3

a/BLM estimate as of Nov. 6, 1981, which has changed significantly from Interior's most recently published statistics. These figures reflect transfers of Federal land to the State and Natives.

While no one knows exactly how much Federal land is officially open to leasing, BLM estimates this figure at about 400 million acres in the lower 48 States. Although some lands are open to application, Alaska at present generally is closed to leasing. Much of this land, however, will be opened soon as a result of passage of ANILCA and Interior's 1981 Appropriation Act.

In the lower 48 States, only about 48 million acres are formally withdrawn from leasing. But in a recent study 1/ we identified about 10 million acres which are administratively closed to leasing. In addition, other lands, while officially open to leasing and not administratively closed, have not been open and are not really available for leasing. This includes designated wilderness (26 million acres) and wilderness study areas (50 million acres).

In addition, in the lower 48 States, the National Park Service lands are almost entirely closed to leasing, either formally (over 18 million acres) or administratively (over one million acres). Also, all Fish and Wildlife Service land (about 12 million acres) virtually are closed to leasing. While there are no legislative prohibitions to leasing FWS lands, BLM has issued regulations which prohibit leasing on these lands. BLM's current Director recently decided not to change these regulations.

Moreover, acquired military lands (6.6 million acres) are open to leasing. However, litigation on leases issued prior to a moratorium in November 1979, and required consent by the military have created major impediments to leasing these lands. Thus, a significant portion of lands legally open to leasing are not open in actuality.

Leasing of Alaskan Federal lands has been made possible by two recent laws--ANILCA, and the Department of the Interior's Fiscal Year 1981 Appropriations Act (P.L. 96-514). ANILCA classifies Federal lands into conservation units which (1) dictate whether lands are available for oil and gas leasing, (2) designate wilderness areas, (3) authorize the establishment of an oil and gas leasing program for certain lands below Alaska's North Slope, and (4) allow oil and gas exploration on the Arctic National Wildlife Refuge. The Appropriations Act authorized leasing on the National Petroleum Reserve-Alaska (NPR-A).

Availability of Federal lands in Alaska for oil and gas leasing is different depending on the surface management agency. BLM lands, other than the NPR-A, are presently closed to leasing and

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1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

require formal opening--an action originally planned for December 1981 but now scheduled for April 1982. FS lands generally are open. FWS lands also are open to offers, but a lease cannot be issued until a decision is made on compatibility of oil and gas operations with the refuge. Presently, FWS does not know when leasing will commence but plans to have a more definitive idea by February 1982.

ADMINISTRATION'S INITIATIVES IN EXPEDITING BLM'S CONGRESSIONALLY MANDATED WITHDRAWAL REVIEW

One of the Interior's first steps in dealing with the access issue was an attempt to prepare an inventory of all Federal lands closed to the mining and mineral leasing laws. This task has not been completed. Administration officials found that because of the poor condition of public land records, it could not be readily determined how much land is closed to leasing.

In March 1981, BLM allocated 56 positions and over $2.1 million to its field offices for the purpose of (1) completing field processing of all other agency withdrawal relinquishments which are dated prior to October 1976 and (2) organizing and starting a systematic review of withdrawals subject to Federal Land Policy and Management Act (FLPMA) review, 1/ with emphasis on BLM lands with high mineral potential. A schedule also was established for fiscal years 1982 and 1983. BLM's goals are to complete field reviews and case processing for all BLM withdrawals in fiscal year 1982, and to implement a 9-year schedule for reviewing other agency withdrawals in fiscal year 1983. An ongoing GAO assignment for the Subcommittee on Mines and Mining, House Committee on Interior and Insular Affairs, is looking at BLM's implementation of this program.

On May 15, 1981, a directive was sent to all BLM State Directors outlining streamlined procedures for the withdrawal revocation review and establishing priorities and minimum annual goals for BLM's withdrawal review program. The field was advised to start with the easier case work (relinquishments) and move to more difficult withdrawal reviews as a way of gaining the necessary staff experience. The Washington office staff were made available upon request for on-site case processing workshops and informal assistance for individual case problems. And finally, various State offices were reprimanded for their lack of progress on withdrawal reviews. Also included in this directive was detailed

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1/Section 204(*l*)(1) of FLPMA requires a 15-year review of selected withdrawals of public lands in the 11 Western States exclusive of Alaska. An inventory under this section identified approximately 6,000 withdrawals covering 54 million acres for minerals.

information on how to handle mineral reports, environmental assessments, land reports, withdrawal continuations, and revocation case files. Suggestions for additional economies were solicited from field offices too. BLM estimates that this directive will cut 75 to 85 percent of the paperwork needed to process revocations.

Further guidance on how the field might streamline case processing was provided in July 1981, including instructions for consolidating cases into a single public land order notice.

For fiscal year 1981, BLM revoked classifications on 20 million acres of public lands and withdrawals on over 20 million acres. Of this, only about 16 million acres were actually opened to leasing; however, most of the lands were already available for leasing. Processing these withdrawal revocations is directly attributable to BLM's establishing the withdrawal review as a top priority in March 1981.

Action to clear up
backlogged record keeping

Public lands are set aside for special uses--such as look-out towers or other public buildings--by Federal agencies through withdrawals. If and when the land is no longer required for that purpose, the agency is supposed to return it to BLM's administration by requesting a "relinquishment of the withdrawal." While many agencies did this is the past, these record-keeping operations were backlogged when this administration took over.

In January 1981, the new administration requested and received a status report on withdrawal relinquishment requests. BLM records showed that 217 pre-FLPMA requests for relinquishments were covering 2.5 million acres on their books. On March 2, 1981, BLM issued a directive to all State offices (except Alaska) to clear their books of all relinquishments by the end of fiscal year 1981. As of October 31, 1981, BLM had taken care of all pre-FLPMA relinquishment requests.

Many Department of Defense (DOD) requests for relinquishments went unprocessed by BLM for years because of the possibility that the land to be returned was contaminated with unexploded bombs left by the military. Subsequent to December 1979, relinquishment requests by the military were referred regularly to the DOD Explosives Safety Board for review and recommendation. This procedure, in concert with BLM's directive to clear up the backlogged records, is expediting many DOD relinquishment requests which have been around for a long time. Recently, for example, the Board cleared 32,526 acres at the Yuma Test Station, which allowed BLM to accept the property for administration under the public land laws.

OPENING ALASKA TO LEASING

For the first time in 15 years, the Federal Government will issue onshore oil and gas leases in Alaska. The Congress has authorized the Secretary of the Interior to (1) develop an expeditious competitive oil and gas leasing program for the National Petroleum Reserve-Alaska (NPR-A), (2) develop an oil and gas leasing program for non-North Slope Federal lands, and (3) conduct limited exploration of the Arctic National Wildlife Refuge's coastal plain.

In addition, BLM, the lead agency for implementing Section 1008 of ANILCA, has developed jointly with FS, FWS, and GS a tentative schedule to review 129 million acres administered by itself, FWS, and FS in order to open such lands for oil and gas leasing beginning in early 1982. This initiative addresses congressional intent under ANILCA and furthers the administration's policy of accelerating the availability of Federal lands for oil and gas exploration and development.

NPR-A Leasing

In December 1980 the Congress, through the Department of the Interior's Fiscal Year 1981 Appropriations Act, authorized the leasing of NPR-A, and provided that the Secretary of the Interior develop an expeditious competitive oil and gas leasing program. Special provisions for the leasing program were also included in the act: (1) the first lease sale was to be conducted within 20 months of the date of enactment (or by August 1982), (2) the previous detailed environmental studies and assessments and the comprehensive land use plans for the NPR-A were deemed to fulfill the requirements of the National Environmental Policy Act for the first two lease sales, and (3) the withdrawals established by Naval Petroleum Reserves Production Act were rescinded for purposes of the oil and gas leasing program. In addition, the act made other provisions concerning the bidding system for lease sales, the size of the lease tract, the lease term (10 years), and the distribution of the receipts from the sales, rentals, bonuses, and royalties.

The previous administration did not have much time to establish the NPR-A oil and gas leasing program given the December 12, 1980, date of the enabling legislation. However, several decisions were made by former Secretary Andrus, including plans to

--hold the first lease sale as soon as possible and at least before August 1982;

--offer at least 2 million acres in the first lease sale;

--prepare environmental assessments for the tracts offered in the lease sales;

--issue a Call for Nominations and Comments immediately, not excluding any areas in the NPR-A from the call; and

--develop a coordinated planning schedule by January 1, 1981, for holding the first lease sale.

Pursuant to the Secretary's guidance, BLM, on December 23, 1980, issued a Call for Nominations and Comments on those sections of the Reserve which should or should not be opened to leasing. Also, a planning schedule was developed, establishing a target date of December 1981 for the first sale and April 1982 for a second sale.

Although the previous administration established some guidance for holding the first sale, the present one essentially has developed the NPR-A oil and gas leasing program. The current timing of lease sales and number of acres to be offered in each sale are the new administration's decisions.

The Solicitor of the Department of the Interior decided in May 1981 that the Department's Fiscal Year 1981 Appropriations Act established a new and independent leasing authority for the NPR-A--consequently new regulations for conducting oil and gas lease sales were necessary. Proposed rules for the lease sales (43 CFR Part 3130) were issued July 22, 1981. Final rules were issued November 9, 1981. On January 27, 1982, the first NPR-A lease sale of 1.5 million acres was held.

The second lease sale is planned for May 26, 1982, offering 500,000 acres plus an amount equal to that not leased at the first sale. Decisions relating to the third lease sale will be made after the first sale.

Of the 23 million acres in the NPR-A, 5.8 million acres were studied in an environmental assessment begun under the previous Interior Secretary's directive and completed October 1, 1981. This environmental assessment cleared 4.5 million acres as suitable for leasing with no further environmental review and found 1.3 million acres that may require an environmental impact statement before further leasing could be considered. BLM will offer lands in the first two lease sales which were cleared by this environmental assessment.

Non-North Slope Leasing

Since 1966, no Federal onshore oil and gas leases have been issued in Alaska. The intent of this restriction was to keep Federal lands available for State and Native selections and establishment of conservation units, i.e., national parks, wildlife refuges, forests, wild and scenic rivers, and wilderness areas. Even though State and Native selections have not been completed, ANILCA resolved the issue of which Federal lands would be set aside.

Section 1008 of ANILCA directs the Secretary of the Interior to establish an oil and gas leasing program for those Federal lands administered by BLM and FS below Alaska's North Slope which can be opened to leasing, and for wildlife refuges where exploration or development would be compatible with the refuge's established purpose.

On March 2, 1981, the Secretary of the Interior directed BLM to conduct an expeditious review and analysis of BLM lands in Alaska closed to the public land laws. The review, which was completed June 12, 1981, identified approximately 35 million acres of non-North slope lands which could be opened administratively to leasing under the Mineral Leasing Act of 1920. To open these lands, amendments or modifications of existing public land orders are necessary.

BLM plans to review the 35 million acres for opening to the mineral leasing law (as well as other public land laws) "based on approved land use plans to the extent they are completed within this timeframe." The review is supposed to occur during fiscal years 1982-85 and cover approximately 8-1/2 million acres each fiscal year. Under this schedule, BLM first planned to open for noncompetitive leasing on December 31, 1981, 276,480 acres in the Minchumina area--now postponed until April 1982. BLM's noncompetitive leasing schedule calls for subsequent openings every 4 months until all suitable lands are offered. The schedule then calls for leases to be issued 90 days after each opening.

In addition, BLM has established a preliminary competitive leasing schedule and BLM, FS, FWS, and USGS will jointly identify "favorable geologic provinces" for competitive leasing beginning in early 1982.

Exploration of the Arctic National Wildlife Refuge

Exploration of the Arctic National Wildlife Refuge coastal plain is authorized by Section 1002 of ANILCA. Because of the refuge's sensitive fish and wildlife resources and its high potential for oil and gas, the Congress made special provisions for allowing exploration but limits such exploration to surface geological and seismic activities. No drilling is allowed.

Under ANILCA, the Congress required a baseline study to be published by June 1982 and a comprehensive and continuing assessment of the refuge's fish and wildlife and their habitat. In addition, by December 1982, the Secretary is to establish initial guidelines for conducting exploration activities based on the results of the baseline study. The Congress also stipulated that the guidelines be accompanied by an environmental impact statement. A report to the Congress is required, not before December 1985 and not later than September 1986, giving the Secretary's recommendation about whether further exploration, development, or production should be permitted. Also required in this report is additional information

on the refuge's resources and the potential adverse effects of further oil and gas activity.

On December 2, 1980, the Secretary of the Interior designated FWS as the lead agency for completing the baseline study, the initial exploration guidelines, the environmental impact statement, and the report to Congress. This designation was consistent with that administration's policy to preserve primary land management responsibilities for the agency which has jurisdiction for the land.

On March 12, 1981, in a controversial decision, the Interior Secretary reversed the previous administration's lead agency designation and gave USGS the lead for preparing the initial exploration guidelines, the environmental impact statement, and the report to the Congress. FWS retained the responsibility for the baseline study and for concurrence on the initial exploration guidelines.

Several environmental and public interest groups disagreed with the decision giving USGS lead responsibility and filed a law suit to block implementation of the change. On November 2, 1981, a Federal district court in Alaska ruled in favor of the interest groups and decided that FWS should be the lead agency. Currently, the Department of the Interior has not decided whether it will appeal this decision.

In addition, the Secretary of the Interior, in the March 1981 Memorandum, directed that the baseline study "be completed and the findings published no later than December 1981"--8 months earlier than Congress' deadline. However, as a result of the court ruling on the lead agency, the baseline study was expected to be completed by the end of January 1982. An environmental analysis of the baseline study was determined to be unnecessary by the Secretary.

ADMINISTRATION'S INITIATIVES TO REOPEN ACQUIRED MILITARY LANDS

The Coal Leasing Amendments Act of 1976 removed the prohibition to leasing military acquired lands. On September 21, 1978, BLM issued regulations for leasing acquired lands. However, on November 1, 1979, the Interior Secretary imposed a moratorium so he could study whether these lands should be leased competitively. The moratorium was established to allow BLM time to develop responsible leasing procedures. In addition, a number of leases issued prior to September 21, 1978--the date of the first regulations--were rejected as premature by the Secretary in the moratorium order.

On August 10, 1981, the Secretary of the Interior reopened these lands to leasing. However, the 6.6 million acres involved in effect are not available for leasing or production. Many of the applications filed prior to September 21, 1978, primarily at the BLM Eastern States Office, are under litigation. Applications

subsequently filed on the same tracts cannot be processed until the courts decide the legality of leases issued prior to that date.

Moreover, despite Interior's initiatives, it is questionable whether any leases on acquired military land will be issued during this administration because (1) leasing backlogs exist in BLM State offices and (2) few military base commanders agree to allow leasing on their installations. Without a commander's consent, the Secretary of Defense generally will not allow leasing by BLM. (See our December 1981 report for more details. 1/)

ALLOWING LEASING TO BEGIN IN WILDERNESS AREAS

The new administration has taken steps to allow leasing in designated wilderness areas administered by BLM and FS, involving about 12,000 and 25 million acres, respectively. Under the provisions of the Wilderness Act of 1964, most of this acreage can be leased legally until January 1, 1984, if such leasing will not impair the wilderness area. Even though leasing has been authorized in such areas since 1964, no recent Secretary has considered leasing as being compatible with protecting the wilderness--thus, not much leasing has been allowed in these areas. Secretary Watt recently has gone on record as supporting a 20-year extension of the January 1, 1984, deadline for leasing. Legislation is also being considered in the House (H.R. 3364) to extend the leasing deadline.

The administration's push to open these lands to leasing is presenting problems. The Bob Marshall Wilderness is the most prominent example of what BLM is encountering when attempting to lease such lands. On June 1, 1981, the Secretary of the Interior complied with the House Interior Committee's resolution to close the Bob Marshall Wilderness Area to oil and gas leasing until January 1, 1984. The Committee, acting under a provision of the Federal Land Policy and Management Act, Section 204(e), asked the Secretary of the Interior to do this. Of the 1.5 million acres which were withdrawn, over half has either moderate or high potential for natural gas development. This withdrawal has been reviewed by a U.S. district court in Montana. The court found the Committee's resolution to be in conflict with the Wilderness Act which allows leasing until December 31, 1983, in wilderness areas and the court pointed out that one congressional committee cannot amend a statute. The court did find, however, that a single committee could request the Secretary to take action but the scope and duration of the withdrawal action are within the Secretary's discretion. Therefore, the court ordered Secretary Watt to revoke

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1/See U.S. General Accounting Office, "Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels," EMD-82-10, Dec. 4, 1981.

this withdrawal. And, acting within his own discretion, the Secretary was ordered to determine the scope and duration of the withdrawal.

Other examples of growing public opposition to leasing in wilderness areas include the Washakie Wilderness Area (Wyoming) and the Ventura and Santa Lucia Wilderness Areas (California). In all of these areas, the administration's leasing efforts have been thwarted because of the public and congressional outcry.

In November 1981, the Interior Secretary agreed to provide the Congress with advance warning before any leases are issued in wilderness areas. This agreement results from public concern over wilderness leasing, and is the direct result of BLM issuing three leases in the New Mexico El Capitan Wilderness.

It seems apparent that the Interior will have a difficult time providing access to wilderness areas for oil and gas leasing in the future--even though this has been cited as one of the new administration's key objectives.

OTHER PROBLEMS AFFECTING THE ADMINISTRATION'S GOAL OF INCREASING ACCESS FOR OIL AND GAS LEASING

Certain continuing problems may adversely affect the Interior's plans to provide greater access to Federal land for oil and gas leasing. As discussed earlier, one problem is the poor state of the public land status records, which has contributed to delays in completing congressionally mandated withdrawal reviews. Other problems include: (1) uncertain status of formal and administrative withdrawal actions, (2) incomplete wilderness study areas reviews, and (3) unsettled land transfer claims in Alaska.

Uncertain status and outcome of past formal and administrative withdrawal decisions

BLM does not know how much land is really closed to leasing--including lands closed based on past formal and administrative decisions--and efforts to determine how much is have not been successful. This uncertainty affects how well Interior can implement the policy of providing greater access.

We reported in February 1981 1/ that 48 million acres--excluding Alaska--were formally withdrawn from leasing as of 1979. However, many other areas are administratively closed to leasing

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1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

by classification orders and management decisions. BLM figures for lands with such designations and for other areas such as wilderness study areas are not discrete. Substantial double and triple counting occurs from hundreds of overlapping withdrawal and classification orders. Plus, this is a dynamic situation where leasing, wilderness reviews, and administrative updating of BLM records are continuing processes. So the totals change constantly. In addition, BLM does not have a centralized records system which would allow an accurate compilation of these totals because all land records are maintained in the field offices. Unless and until a centralized land records system is developed, these totals will remain uncertain.

On May 26, 1952, Executive Order 10355 was issued delegating to the Secretary of the Interior the authority to withdraw lands from the public domain as needed. Prior to this order, the Congress or the President issued withdrawals. In October 1976, the Federal Land Policy and Management Act (FLPMA) was passed which required DOI by 1991 to review certain withdrawals. Moreover, withdrawals are no longer being used by DOI to prohibit leasing. Instead BLM State Office Directors, acting for the Secretary, can utilize discretionary authority to allow or not allow leasing. Lands may remain closed to leasing if "no leasing" decisions continue to be made. For example, we found that 6 million acres in five States were closed to leasing through management decisions. 1/

BLM's withdrawal review did not get underway until 1979. On October 1, 1980, the Branch of Withdrawals was established in BLM to expedite this review. Many parcels have two or three withdrawals on them, thus the withdrawal review process may eliminate overlapping orders but still leave certain withdrawals intact. About 6,000 individual withdrawals covering 54 million acres are to be reviewed by BLM under FLPMA. Efforts are now underway to release as much of these lands as possible for multiple use. BLM expects other agencies to start reviewing their lands in FY 1983.

Over time, BLM also has withdrawn lands by administrative action. One such action, classification orders, designates specific uses or places restrictions on public lands. Many of these classifications restrict the development of oil and gas leases. Over 106 thousand acres are withdrawn under such orders, although it is not known how much classified land has restrictions on oil and gas leasing. BLM plans to complete reviews of its classification actions by the end of fiscal year 1983.

In the past, BLM also closed lands to various uses--including oil and gas leasing--through "segregation orders." A segregation

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1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development, EMD-81-40, Feb. 11, 1981.

action literally means "closed to." There are about 5 million acres in this category. Again, it is not known how much segregated land is restricted from oil and gas leasing.

Still another way in which lands are effectively closed to exploration and development is to issue leases with "no surface occupancy" stipulations. In our February 1981 report, 1/ we noted the difficulty in determining the extent to which such stipulations were used or in determining the affected acreage. But BLM says that less than 1 percent of oil and gas leases contains this restriction. We were unable to verify this percentage.

Incomplete Wilderness Study Area Reviews

Both BLM and FS manage lands under review for possible wilderness designation by the Congress. Of these areas, BLM manages about 24 million acres and FS another 26 million acres. Technically, the wilderness study areas are not closed to leasing. However, while these lands are under study, this administration's policy continues to be to manage them so that there will be no significant impairment for future use as wilderness. We reported in February 1981 that these lands in the past have been managed with standards more restrictive than wilderness areas. 1/

As of February 1981, there were over 4,000 leases on BLM's wilderness study areas (WSAs) covering over 6.5 million acres and, according to BLM, production on these leased lands is increasing. BLM officials also said that of the 4,000 leases, only 455, covering just over 500,000 acres, were restricted by no surface occupancy stipulations. We were unable to determine if any new leases were issued or any new wells drilled on WSAs. BLM officials stated that only 10 applications for a permit to drill (APD) were denied in fiscal year 1981, but they were unable to tell us how many were received and approved for WSAs.

Many pending lease applications are for FS wilderness study areas. Neither FS nor BLM could provide us with specific details on these applications. However, the estimated number of lease applications pending on all FS lands at the end of fiscal year 1981 was 11,301, of which about two-thirds was for energy minerals.

Unsettled land transfer claims in Alaska

An application by the State or a Native group for Federal lands in Alaska effectively closes the land to mining or leasing.

1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

As of September 1, 1981, the total amount of land transferred to the State of Alaska was 51.7 million acres. BLM has agreed to transfer another 13 million acres in fiscal year 1982. This leaves 37.8 million acres, out of the 102.5 million acres to which the State is entitled, which still must be conveyed to the State. The possibility exists that future Federal lands put up for lease could be subsequently selected by the State.

Also, the Native land transfers have not been completed. BLM expects to transfer 4.5 million acres to Natives in fiscal year 1982 and to reduce the amount of lands which originally was set aside for the Natives to choose from. The total amount of land to be given to the Natives is 44 million acres. However, about 90 million acres was set aside from which they were allowed to choose.

Interior issued two public land orders, in November and December 1981, opening approximately 35 million acres to State selection, and the Minchumina Area to mineral leasing, respectively. After the 90-day preference right period is over, the State no longer will have a preference over other people who attempt to file a lease application (or an action under any public land law on those lands). The first oil and gas lease sale in the Minchumina Area will be affected by the State's 90-day preference right. However, the State of Alaska has verbally agreed not to use its preference right, in the upcoming sale.

PREVIOUS GAO RECOMMENDATIONS ON ACCESS TO FEDERAL LANDS

Our February 1981 report included various recommendations with regard to energy and minerals development--some of which have been taken or are being considered by Interior. 1/ Among them were recommendations that the Secretary of the Interior:

--Establish criteria on which "no leasing" decisions or restrictive stipulations, such as "no surface occupancy," must be based, and require BLM to maintain adequate records of decisions for no leasing.

--Require BLM to inventory lands which have been closed by management decision to oil and gas leasing.

--Direct BLM to inventory and justify lands withheld from the simultaneous leasing system,

--Direct BLM to develop a withdrawal review program for all lower 48 States.

1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

We also recommended that the Fish and Wildlife Refuges be reviewed by USGS for oil and gas potential, and further, that the Secretary seek regulatory changes allowing leasing of these refuges in a manner conpatible with their resources.

In addition, we suggested that the Congress should allow leasing in any area included in future wilderness legislation for some reasonable period beyond 1983.

Certain actions taken by Interior are consistent with our past recommendations. For example, BLM has expanded and given priority to its withdrawal review. It has not, however, yet attempted to develop an inventory of Federal lands closed by management decisions, or to inventory and justify lands withheld from SOG. Furthermore, the BLM Director has decided not to establish regulations to lease Fish and Wildlife Refuges.

Other recommendations included in our February 1981 report with regard to streamlining the leasing system--and the status of Interior actions--are discussed on page 36.

CHAPTER 3

ADMINISTRATION INITIATIVES TO DEAL WITH INTERNAL PROBLEMS AND TO STREAMLINE THE ONSHORE OIL AND GAS PROCRAM

In order for the administration to further its policy of accelerating leasing, various initiatives have been taken or are proposed by Interior, both to eliminate backlogs and other problems in the existing onshore oil and gas leasing program and to streamline the leasing process. These include

--reorganization and elevation of BLM's energy and minerals program;

--automation to expedite lease processing;

--a proposed toll-free information telephone number to free leasing staff;

--implementation of the categorical exclusion review (CER) process for environmental reviews;

--changed procedures for determination of known geologic structures;

--improved coordination between BLM, GS, and FS; and

--other actions to eliminate outdated regulations and unnecessary paperwork.

So far oil and gas leasing has not increased over what has occurred in prior years--while the backlog of unprocessed leases has. It is too early to determine whether Interior's "streamlining" and other changes--some of which are dependent on increased or continued funding--will clear up the backlogs and allow increased leasing.

Little or no input to these changes was provided by other Federal agencies, industry, or the general public. Neither did the Office of Management and Budget give direct input to the program changes. However, OMB did allow funding for the program to increase over the previous year's budget. Also, one of the changes is consistent with a recommendation included in our February 1981 report "Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development." There are other recommendations made in our December 1981 report "Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels," which are also applicable, as discussed on pages 51 to 52.

REORGANIZATION AND ELEVATION OF BLM'S ENERGY AND MINERALS PROGRAM

One of the first steps taken under the new administration at Interior was to reorganize top management at BLM for the energy and minerals program. On July 21, 1981, the position of Deputy Director for Energy and Minerals was established. The Director of BLM stated,

> "One of our primary objectives is to increase the availability of Federal lands and resources for energy and mineral development. Accordingly, I have established the position of Deputy Director for Energy and Minerals to elevate the role of energy and minerals decisionmaking and to emphasize the importance of energy and minerals issues in multiple-use management."

Subsequently, in October 1981, the oil and gas leasing program was elevated to division status, a move designed to provide sufficient headquarters staffing to an area previously understaffed.

AUTOMATION TO EXPEDITE LEASE PROCESSING

In August 1981, BLM proposed automating and centralizing lease applicant qualification statements and administrative monitoring functions. BLM's proposal will require SOG participants to file only one corporate qualifications statement with BLM. This statement is to be retained by the computer in a historical file and used whenever that SOG applicant files on a SOG parcel. Each statement will have a unique serial number which adjudicators will enter into the computer when checking the applicant's qualifications to hold a Federal lease. Updating these statements will remain the responsibility of applicants.

A second part of the proposed BLM-wide automation centers on the lease itself. Information on lease transfers, assignments, unit agreements, relinquishments, etc., will be put in a computer file for each parcel of land under lease. The proposed system will screen for multiple filings and acreage limitations. However, the proposed automation will not be available until late 1982, and only then if funds are approved.

SOG automation

Prior to 1978, the Wyoming office processed SOG applications manually. During 1978, a partially-automated SOG system was implemented using a computer to select random winners. This Phase I system, as it was called, was used successfully until the volume of applications increased substantially, particularly in 1980 when BLM moved to bi-monthly drawings. There were occasions when the Phase I system had not completed a drawing prior to the start

of the next filing period. In addition, abuses in the system that prompted the moratorium amplified the need for a newer system that automatically could detect duplicative filings.

Since early 1979, BLM has worked toward greater automation capabilities in its SOG leasing program. Phase II began with the January 1982 drawing in Wyoming when BLM will begin using an optical mark reader (OMR) to process and select SOG winners. An initial hardware cost of $1.9 million will be expended for purchase of two OMRs for Wyoming and the Denver Service Center (DSC), upgrades of existing computers, and related paper costs for new SOG applications. Other State offices are scheduled to complete implementation of the Phase II system by June 30, 1983.

The primary feature of the Phase II system is the use of a multiple-parcel application form. In the past, applicants were required to complete one application for each parcel of land on which they wished to file. In Wyoming, the average SOG participant filed on 10 parcels, requiring the use of 10 application forms. The new system's use of multiple-parcel application forms will reduce the paperwork burden on the public since one application allows the participant to file on whichever parcels are offered in the drawing. BLM projects an 80 percent reduction in the number of applications processed per drawing. Keypunching time is eliminated also as the application forms are read directly by the computer.

Reports produced by the Phase II system will provide adjudicators information on duplicative filings and produce the following: winners' report by parcel; parcel report (who filed on each parcel); applicants' report (what parcel(s) each applicant filed on); filing status report (notification to each applicant of winning parcels); and treasury refunds on parcels withdrawn or deleted from the drawing.

Delays, however, seem inherent to BLM's automation efforts. Implementation of Phase II was anticipated for late 1979, but delays in writing the program and funding resulted in a January 1982 start date for Wyoming. BLM does not anticipate its full implementation, BLM-wide until, late 1982, assuming funding is provided. If such delays are indicative of BLM planning targets, the proposed automation of qualification statements and lease status holdings may be delayed as well. Furthermore, as noted in our review of the Eastern States Office, problems associated with maintaining current land status records and errors in such records prevent any valid computerization of records management functions. 1/ In the interim, as BLM attempts to automate lease status holding records, backlogs in issuing leases and approving assignments will persist.

1/"Streamling and Ensuring Mineral Development Must Begin at Local Land Management Levels," EMD-82-10, Dec. 4, 1981.

PROPOSED INITIATIVE TO FREE LEASING STAFF

Bureau-wide, 500 to 600 telephone calls are received each day concerning the SOG system. BLM staff who process SOG leases must also answer the public's questions. Answering the phone takes time which could be spent processing leases. According to BLM, most of the callers request only general information and are satisfied with a brief description of the program and an information brochure.

BLM has proposed installing a toll-free telephone number for general information on the leasing system, i.e., where and how to file for the SOG. Money is set aside for this in the fiscal year 1982 budget, and BLM anticipates this measure will increase productivity by reducing interruptions caused by public assistance request calls. However, this measure is not yet implemented.

IMPLEMENTATION OF THE CATEGORICAL EXCLUSION PROCESS FOR ENVIRONMENTAL REVIEWS

The Council on Environmental Quality regulations for implementing NEPA require each Federal agency to identify those actions which normally require the preparation of an environmental impact statement (EIS), and those actions which normally do not require either an EIS or an environmental assessment (EA). Categorical exclusions identify those actions which do not individually or cumulatively have a significant effect on the human environment.

BLM issued final regulations on categorical exclusion reviews (CER) in the Federal Register on January 23, 1981. The issuance of individual noncompetitive onshore oil and gas leases and assignments were included as categorical exclusions. These regulations were approved by the Council on Environmental Quality under the previous administration which determined that they were consistent with NEPA and the Council's regulations.

BLM's guidance memorandum (IM 81-259), dated February 10, 1981, noted that categorically excluded actions must be subjected to sufficient environmental screening to determine whether the actions meet any of the exceptions listed in the Department Manual. On May 14, 1981, BLM issued further guidance and standardized procedures for reviewing whether a noncompetitive lease should have further environmental assessment or whether adequate information already exists to issue the lease. This guidance included a checklist to be used to determine if the categorical exclusion is appropriate. The memorandum stated that a proposed action may so fully incorporate mitigation measures (e.g., lease stipulations) that mitigation may be considered "part-and-parcel" of the proposed lease action. The categorical exclusions were designed so that exceptions (i.e., actions requiring further environmental work) would be identified only in rare cases.

The CER checklist gives nine criteria for exceptions to categorical exclusions and examples of when categorical exclusions are not allowable. The exception criteria for onshore oil and gas leasing are that the proposed action will

--have a significant adverse effect on public health or safety;

--adversely affect such unique geographic characteristics as historical or cultural resources, park, recreation, or refuge lands, wilderness areas, wild or scenic rivers, sole or principal drinking water aquifers, prime farmlands, wetlands, floodplains, or ecologically significant or critical areas, including those listed on the Department's National Register of Natural Landmarks;

--have highly controversial environmental effects;

--have highly uncertain environmental effects or involve unique or unknown environmental risks;

--establish a precedent for future action or represent a decision in principle about a future consideration with insignificant environmental effects;

--be related to other actions with individually insignificant but cumulatively significant environmental effects;

--adversely affect properties listed or eligible for listing in the National Register of Historical Places;

--affect a species listed or proposed to be listed on the List of Endangered or Threatened Species; and

--threaten to violate a Federal, State, local, or tribal law or requirements imposed for the protection of the environment or which requires compliance with Executive Order 11988 (Floodplain Management), Executive Order 11990 (Protection of Wetlands), or the Fish and Wildlife Coordination Act.

This checklist helps a BLM office ensure it has all the information needed for decisions regarding environmental protection. A single exception on the checklist automatically requires that an environmental assessment be done. Environmental assessments, in turn, determine whether an EIS is required. Since many of the areas leased noncompetitively were leased before, many had environmental assessments done previously. Thus, the field has to assure only that circumstances have not changed in order to allow a lease to be issued without further assessment.

A memorandum to all State Directors, dated August 31, 1981, stated the following:

> "The categorical exclusion review procedure (CER) described in Instruction Memorandum No. 81-452, obviates the need to prepare pre-lease environmental assessments (EAs) in most situations. The analysis performed according to the CER provides adequate environmental safeguards because it includes a provision to develop stipulations to mitigate potential significant impacts discovered during the categorical exclusion review. We expect each State Office to implement the CER in a manner which will result in a faster rate of lease issuance. All noncompetitive oil and gas EAs should be dropped unless the information to be obtained is necessary to make the leasing decision and/or the areas under question are highly controversial. This means that not only should EAs in programs be terminated, but also that there is no need to prepare EAs in the future unless a leasing decision cannot otherwise be made."

In addition, BLM is proposing to extend the CER to include competitive as well as noncompetitive leasing. BLM issued a notice in the Federal Register on December 9, 1981, listing the proposed additions. Included in the proposal is categorical exclusion status for

- --exploratory drilling for data collection and decisionmaking where no appreciable additional disturbance is required;
- --mineral lease adjustments and transfers, including assignments and subleases; and
- --offering and issuance of upland competitive oil and gas leases where the issuance of the lease is consistent with existing land uses or has been covered by an areawide environmental document.

In our February 1981 onshore oil and gas report, we found that environmental assessments were a major delay in issuing leases. Environmental assessments were being written for all phases of oil and gas activities--for leases, geophysical exploration permits, and drilling permits. Many assessments were done for leases that were never developed. We recommended that BLM change its NEPA guidelines to defer the requirement for environmental review of oil and gas activities until surface disturbance is proposed. BLM's new CER process largely implements this recommendation and should eliminate some processing backlogs at the leasing stage.

Our 1981 report also found that inadequate environmental coordination among surface management agencies may affect future oil and gas development. While BLM's procedures exclude lease issuances from environmental reports, the USGS's CER regulations exclude geophysical exploration and preliminary lease drilling from environmental reviews. Final CER regulations were published effective January 23, 1981, to use for reviewing APD's. It remains to be seen whether--in the rush to expedite oil and gas leasing--the BLM's CER system will be followed and whether USGS's CER regulations for the APD process are adequate.

NEPA compliance for Alaska lands will be the same as for the lower 48 States--BLM will use the categorical exclusion review process. One change in BLM procedures for Alaska will require an environmental assessment or EIS for all ongoing or future land use plans. Past land use plans did not have an environmental assessment review requirement. FS and FWS will use environmental assessments or EISs; neither of these agencies have established (or plan to establish) lease issuance as a categorically excluded activity.

Forest Service alternative to CER

FS has developed an alternative to the CER approach. Since most leases do not reach the APD process, FS believes it can save time and money by allowing BLM to issue leases without environmental assessment but with a "no surface occupancy" stipulation in the lease. This stipulation includes an additional caveat which expressly states that if an APD is applied for by the lessee, no right to drill is automatically conferred. When and if an APD is filed, an environmental assessment will be done. If the assessment indicates negative impacts, the lessee can try to come up with measures to eliminate such impacts through the APD process. However, approval of the APD is contingent upon adequate mitigation of the negative impacts.

The first leases issued with this stipulation, in the El Capitan Wilderness, caused great concern to certain Members of Congress and environmentalists because the environmental work had not been done before leasing. As a result, the Interior Secretary agreed not to issue any more leases in wilderness areas until June 1982. Nevertheless, the FS approach has positive budgetary implications and may be a significant streamlining step if environmentalists and others can be convinced that environmental protection will be assured.

CHANGED PROCEDURES FOR DETERMINATION OF KGS

One of the reasons given for backlogs of leases was the time involved to obtain USGS advice on whether a noncompetitive lease was within a KGS.

A May 4, 1981, directive was sent to USGS and BLM field offices establishing new procedures for processing noncompetitive oil and gas leases. The order directed GS Conservation Managers to review, by May 15, 1981, all Western States and identify each county having no oil or gas fields or KGSs within its boundary or within a mile outside its boundary. This order excluded the Eastern States Office, Texas, and Alaska. After making these determinations, a memorandum was to be sent to the appropriate BLM State Director identifying the counties with such characteristics. In the future, USGS is to notify BLM immediately of all discoveries of oil or gas in a county.

Noncompetitive leases which fall within an undesignated county will no longer be sent to GS for a KGS determination. BLM officials say this procedure has accelerated issuance of oil and gas leases.

EFFORTS TO IMPROVE COORDINATION OF BLM, USGS, AND FS

As a result of several years' work, the Directors of BLM and GS, and the Chief of FS reached an agreement on coordination and streamlining for onshore oil and gas leasing. In a previous report, we found that BLM lacks an effective follow-up system for obtaining information from surface management agencies (SMAs), such as the Forest Service. 1/ We stated that SMA reports had not been timely, that environmental reviews differed among agencies, and that Interior had primary responsibility for coordination to assure that the development of Federal resources is accomplished. We recommended that BLM work with SMAs to develop cooperative agreements and goals for lease processing.

On September 2, 1981, the Directors of BLM and USGS and the Chief of FS issued a joint memorandum to all their field offices. The purpose was to solicit comments from the field on revisions to the cooperative agreements and procedures among the three agencies for oil and gas leasing and for APDs. The goals of the proposals are to reduce paperwork requirements, avoid duplication of effort and reduce processing time. The field was given until September 30, 1981, to submit comments. We have not reviewed the comments because they were not available at the time of the review.

Some of the possible changes in the memorandum were:

--Placing a strict time constraint on review and processing of APDs.

1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

--Fullest use possible of standardized categorical exclusion and/or contingent right stipulation procedures, as consistent with NEPA compliance requirements.

--Minimizing or eliminating pre-drill inspections for infill wells in developed fields.

--Generally minimizing or eliminating the active involvement of BLM or FS in APD processing in areas where the surface is State or privately owned except for holdings in FS lands.

--Assigning BLM or FS primary or sole responsibility for environmental reviews of initial operations in areas with heavy concentrations of BLM or FS lands where intensive resource surface management is required or where environmental values are very high. Conversely, offices are requested to develop suggested procedures, criteria, or trigger mechanisms for categorizing lands as being of low environmental sensitivity for purposes of assigning USGS the primary or sole responsibility for environmental reviews for such lands.

--Maximum use of telephone, telefax, or compatible computer interaction for speedy exchanges of basic and critical information, stipulations, recommendations, etc. Also, more intensive use of aircraft and helicopters to reduce travel time for any needed predrill inspections.

--Simplifying Right-of-Way requirements or combining with APD the approval for roads and pipelines for relatively short distances involving minimal environmental impact.

--Standardizing and minimizing stipulations for leasing and as conditions of approval of APDs.

--Allow activities of operators of essential construction, and environmental protection requirements to be minimally reviewed and supervised by local USGS, FS, or BLM field personnel.

--Cross detail of Bureau field personel on an informal basis to form short-period ad hoc work groups to address critical and heavy workload situations.

--Minimize and shift the major burden of cultural resources inventory responsibilities to the lessee or operator.

--Develop MOU with FWS to permit each agency to do its own threatened and endangered species review in place of a formal FWS consultation. Restricting the need for formal endangered species consultation to areas known or suspected to be endangered species' habitat.

Also, the field was asked to comment on how, when, and where the semi-annual meetings with industry should be conducted. The purpose for such meetings is to review industry concerns and complaints, the manner in which regulations are applied, and the status of interagency cooperation in implementing procedures. The Secretary of the Interior has suggested that such meetings be held in each USGS region to obtain the desired broad coverage. The date of implementation has not been established.

OTHER ACTIONS TO ELIMINATE OUTDATED REGULATIONS AND UNNECESSARY PAPERWORK

A regulatory streamlining program is currently being implemented. The regulations for onshore oil and gas leasing (43 CFR 3000 and 3100) are presently under revision with the planned date for final rulemaking in March 1982. The stated purposes are to: (1) eliminate a number of outdated and superfluous regulations, (2) reduce the paperwork requirements of those who participate in oil and gas leasing, and (3) provide for leasing in Alaska under ANILCA.

The major proposed changes include provisions for:

--Automating the SOG program.

--Raising SOG rental rates to $3 per acre per year for the second 5 years of a lease, and increasing noncompetitive filing fees from $25 to $75.

--Eliminating the required guaranteed remittance for SOG filing fees.

--Requiring evidences of the qualifications of other parties in interest and filing services only from SOG drawing winners, not all applicants.

--Leasing lands under the jurisdiction of a Federal agency outside the Department, in accordance with Mountain States Legal Foundation v Andrus.

--Selecting only one SOG drawing card instead of three.

--Automatically reinstating leases which terminate for nonpayment of rent if the rental is postmarked on or before the date rental is due.

--Eliminating separate bonding requirements for public domain and acquired lands.

--Increasing royalty rates for competitive leases.

--Allowing previously leased lands in Alaska to be available over-the-counter rather than to the SOG.

Two of these proposed changes will be initiated early. Automation of the SOG and the provisions for leasing under ANILCA were established by Secretarial Notices in the Federal Register, stating that these changes are consistent with existing regulations and do not require further rulemaking.

Also, the oil and gas program leader, with the assistance of various State offices, is preparing leasing procedures. BLM has never provided the field with specific written guidance in the form of a manual. We found that a draft manual on leasing procedures was prepared by a Wyoming State office person in 1971, but BLM headquarters did not follow through with the project.

FUNDING AND STAFFING FOR PROGRAM REMAIN RELATIVELY CONSTANT DESPITE INITIATIVES

Funding for the oil and gas leasing program for fiscal year 1982 was decided by the Congress on December 10, 1981. The appropriation for BLM's oil and gas leasing program is $20.119 million, a cut of $838,000 from the administration's initial budget request. Although this is almost $2.7 million more than was available to this program in fiscal year 1981, the total number of positions will remain the same--approximately 622 positions in the State field offices and 22 at headquarters. Most of the funding increase is for automation activities.

Interior believes that the planned computerization of the SOG leasing system will allow reductions in field staff for lease processing. Thus, field positions tentatively have been reduced by eight for the coming year while a corresponding increase has been made for headquarters. This means there will be less personnel in the field to check land records and process leases. Thus--since people process leases--unless some way is found to put past records into the computer, the present large backlog of unprocessed leases will not be reduced.

The only specific staffing remedy we found addressing the backlog problem was one included on August 31, 1981, in an instruction memorandum to all State Directors:

"We favor the temporary detail of on-board experienced adjudicators and the rehiring of recently retired experienced adjudicators as a means of addressing the backlog. You are asked to identify your on-board adjudication needs or surpluses, and those retirees whom you believe may be available to aid your backlog situation."

PREVIOUS GAO RECOMMENDATIONS CONCERNING STREAMLINING THE LEASING SYSTEM

In our February 1981 report, 1/ we recommended that the Secretary of the Interior direct BLM to:

--Change its guidelines implementing the National Environmental Policy Act to defer the requirement for environmental assessments for oil and gas activities until surface disturbance is proposed.

--Establish standard time frames for the completion of lease processing.

--Work with surface management agencies to develop cooperative agreements and goals for lease processing.

--Develop a standard followup system for tracking outstanding lease applications.

Through its categorical exclusion process, as discussed on pages 28 to 31, BLM has largely implemented our recommendation to defer environmental assessments for oil and gas activities until some surface disturbance is proposed. We have not, however, reviewed the CER regulations for consistency with NEPA. Although, the Council on Environmental Quality has approved these regulations. As previously stated, however, it is unclear how the CER process will be implemented in the field, given the pressure by Interior to accelerate leasing.

In addition, Interior has established task forces to study other problems, including those giving rise to our recommendation for developing cooperative agreements. Our recommendations to streamline the leasing process through setting basic timeframes for lease processing, and tracking systems to follow up on lease applications have not yet been addressed.

1/"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development," EMD-81-40, Feb. 11, 1981.

CHAPTER 4

PROBLEMS IN MANAGING LANDS ALREADY AVAILABLE FOR OIL AND GAS LEASING

The administration's policy is to accelerate the pace of onshore oil and gas leasing in response to a growing interest on the part of industry. Opening Federal lands, however, to oil and gas leasing is just the first step. Once the land is available, BLM then must process and issue the leases.

The new administration inherited some serious problems with the onshore oil and gas leasing program from the prior administration. The main problem was, and still is, the large backlog of pending lease applications and lease notations to land status records. These backlogs make it difficult to process leases for lands already available in a timely manner and will impact even more so on the administration's plan to accelerate leasing on newly opened lands. Among other things, the backlog is the result of a 4-month moratorium placed on all noncompetitive onshore leasing by the former Interior Secretary in February 1980, and another moratorium on all leasing of acquired military lands in November 1979. Even more basic, however, is the continued absence of a cohesive and workable organization and management structure within BLM for energy and minerals oversight.

The Interior Department has taken some steps to deal with the backlog problems, including the automation proposals discussed in chapter 3. Other steps include turning over the SOG fraud investigation functions to the Office of Inspector General and regulatory changes to eliminate paperwork requirements imposed at the time of the moratorium. All steps were initiated within the Department and were not influenced or directed by the White House or elsewhere. It is too early to determine whether these changes, at least in the near future, will clear up the backlogs and allow leasing activity to get back to normal. It is apparent, however, that management and coordination must be improved if the goal of accelerated leasing is to be realized.

INHERITED PROBLEMS PRESENT MAJOR OBSTACLES TO ACCELERATED LEASING

Backlogs exist in posting expired, terminated, and relinquished onshore oil and gas leases for the SOG, processing SOG and OTC offers, and approving assignments. Backlogs for the period ending January 1, 1981, were as follows:

Oil and gas lease offers pending	28,919
Assignments pending approval	15,508
Posting of leases	11,607

We were told that the backlog of pending leases had increased to about 34,000 as of September 30, 1981.

Our recent review of the backlog problem in the Wyoming BLM State office indicated continued difficulty in maintaining current files and processing offers in a timely manner. The Cheyenne, Wyoming, backlog of lease offerings as of September 30, 1981, was as follows:

SOG	1,789
OTC	1,491
Competitive	109
Assignments	6,504
Postings to SOG	4,000 (estimated)

Also, BLM adjudicators were processing noncompetitive offers from the November 1980 SOG drawing--almost 1 year behind schedule. And, according to a Cheyenne official, they anticipate "staying even on processing the (SOG) offers for the next two years." Most OTC offers are either awaiting surface managing agency consent or are under litigation. Fifteen OTC offers made in 1974, for example, have not received FS approval. Assignments requested in March 1981 were being processed.

The Wyoming office cites three problem areas that contributed to the current backlog: (1) the 1980 moratorium on all leasing activities, (2) the establishment of new regulations designed to prevent lottery fraud, and (3) insufficient resources (money and experienced staff).

Moratorium delayed lease activities for 1 year

The moratorium imposed on onshore leasing in February 1980 shut down most onshore leasing activities until July 1980 when the lottery resumed. Subsequent requirements by the BLM task force investigating SOG fraud prevented the State offices from processing lease offers and assignment requests. A premoratorium backlog problem was exacerbated even further as State offices had to respond to investigators' requirements. In Wyoming, for example, a "no lease" situation existed throughout 1980.

As displayed below, backlogs have increased steadily for the Wyoming State office.

	OTC	SOG	Assignments
Jan. 1, 1977	231	466	2,334
Jan. 1, 1978	257	606	3,714
Jan. 1, 1979	180	1,355	1,030
Jan. 1, 1980	583	1,030	2,458
Jan. 1, 1981	836	1,586	3,982
Sept. 30, 1981	1,491	1,789	6,504

Most of the 1980 to 1981 increases can be attributed to clearance delays imposed on the State office by the fraud investigations. In all of 1980, the Wyoming State office issued only two noncompetitive onshore leases. This compares to 1,120 noncompetitive leases issued in 1981--a lower than normal activity level from years prior to 1980.

Secretarial order #3049, dated February 29, 1980, imposed a moratorium on noncompetitive leasing. The order and subsequent instructions stated:

--No further tracts shall be posted, and no further SOG drawings shall be held.

--No leases for SOG or OTC shall be issued.

--Certifications of qualifications (statements) shall be required to hold a Federal lease for purposes of assignment.

--All unearned filing fees for those drawings affected by the moratorium are to be refunded.

The Secretarial order established an Interior Department task force to investigate and prosecute (in conjunction with the U.S Attorney) violations of the law and to establish regulations pertaining to oil and gas leasing. As part of its efforts to detect abuses in the system, the U.S. Attorney in Denver directed the State office on May 1, 1980, to require pending lease applicants to recertify their qualifications to hold an onshore lease or obtain an assignment approval.

Certification of qualification statements were mailed to individuals or companies with pending leases or assignments. The applicant was given 30 days to return the recertification or the

application was rejected subject to full appeals rights. This procedure added approximately 2 months to lease processing time.

On May 1, 1980, directives were provided to the State offices for clearing lease applications with the criminal investigation team. BLM offices were requested to submit to the investigators "dummy" copies of the case files of pending leases. These files included the SOG application card, the recertification statement and any requests for assignment approval. For the Wyoming State office, over 600 dummy files were prepared and sent to the investigators in June 1980.

When leasing resumed in July 1980, these same procedures (except recertification) were required. No lease offer could be issued until clearance was received from the investigators. The clearance procedure was envisioned to take 2 weeks but, in fact, took 3 to 4 months. The recertification and clearance requirements delayed leasing considerably in 1980 and, at the beginning of 1981, nearly 3,000 lease offers were pending approval by the BLM investigators.

SOG monitoring procedures delayed leasing even further

On July 1, 1980, BLM contracted with the Bureau of Prisons (BOP) in Denver, Colorado, to monitor the SOG drawing procedure until BLM acquired its own monitoring system. Directly after each SOG drawing, the State offices delivered BOP all SOG lease applications and microfilms of the first, second, and third draws on each parcel offered. BOP in turn keypunched into a computer file the name, address, and parcel number from each application. The computer file was sent to BLM's DSC where an alphabetical list of applicants for each parcel was prepared and a check for duplicative filings was made. This information was subsequently made available to BLM's adjudicators and the criminal investigators.

The BOP/DSC procedures and products have numerous inadequacies. The large volume of applications (over 600,000 in the July 1980 lottery, for example) takes considerable time to process. A 2-month turnaround time was predicted, but in fact more time was expended.

The July drawing results, for example, were not provided to the State offices until the end of January 1981. Leases could not be issued until the BOP products were received by the State offices. Thus the requirements for recertification statements, clearance of lease offers through BLM investigators evaluating the case files, and interim monitoring by the BOP contributed to delays averaging 7 to 9 months. In the Wyoming State office, these delays resulted in only two noncompetitive leases issued for all of 1980.

Aside from leasing delays attributable to the BOP monitoring system, the intended goal of the program--to check for duplicative filings--was never attained. The DSC computer file given to the State adjudicators was of limited value.

The duplicative filing techniques performed on the BOP information included comparisons of the first three letters of the applicant's last name and the first three digits of the applicant's zip code. Officials in the Wyoming office discovered instances of duplicative filing that were not detected by the DSC procedures. Examples include changes in the first initial of a last name (e.g., a "C" became a "K") or first/last name reversal. Using the zip code procedure for Cheyenne, Wyoming, and surrounding area would produce duplicative filing on all entries since this area's zip code begins with the same first three digits.

The onshore oil and gas office and the Inspector General's office tried to cancel the BOP contract. However, Interior officials said that this system was needed to deter fraudulent intent--SOG participants would be less likely to abuse the system if it was perceived that BLM was monitoring SOG applications. This decision retaining the BOP monitoring must be weighed against the $265,000 contract costs and the effectiveness of the procedure.

Regulatory changes designed to prevent lottery fraud delayed assignment approvals

BLM regulations, promulgated in May 1980, contained several changes to the existing lease program, including the following:

--All statements, applications and offers must be manually signed by the applicant or the applicant's agent.

--Contracts between filing services and applicants must be submitted to BLM.

--Additional evidence of qualifications must be filed by corporations and associations to detect duplicative filings.

--Lease assignments are prohibited for up to 60 days after an SOG drawing.

According to BLM officials, the requirements for filing service applicant contracts and additional qualification statements from corporations have significantly taxed BLM's record-keeping ability. In addition, the 60-day assignment requirement has produced a significant backlog in processing requests for assignments. The State offices were required to pre-number

assignment forms and maintain a log of who requested the assignment form, the assignment number, and the serial number of the lease involved. The current backlog, according to a BLM Wyoming official, can be attributed to the increased paperwork requirements in processing requests for assignments.

The pre-numbered forms were designed to protect the lessee from the exertion of undue influence to make an assignment not in the lessee's best interest. However, BLM must now issue and record approximately 50,000 sets of assignment forms on an annual basis. According to a BLM Wyoming official, there appears to be relatively little chance to monitor assignment forms since the screening requirement would be cumbersome if done manually.

Refunding of unearned filing fees has been slow

A March 1980 Secretarial instruction memorandum required BLM to return all unearned filing fees to applicants--a total of $7.8 million from the January and February 1980 SOG. The refunding process was late in beginning and the majority of claims will not be completed until January 1982. This situation impacts on BLM field staff, who must handle this problem as well as keeping up with regular program activities.

Shortly after imposition of the moratorium, BLM returned about $3 million of undeposited checks. The remaining $4.8 million had been deposited and, in order to refund the balance, BLM had to rely on information from the applicants' SOG cards. The Wyoming office alone possessed about 348,000 applications, each requiring a refund of $10.00. The Wyoming office began its refunding effort in January 1981, but numerous delays encountered in computerizing the task and obtaining sufficient resources have prevented its completion. BLM now plans to have most refunds processed by January 1982.

Poor management and lack of coordination contributed to delays

After the Secretary ordered the refunding of unearned filing fees, BLM, in conjunction with the Treasury Department, moved to computerize the refunding process. In Wyoming, the information on approximately 348,000 SOG applications (applicant name, address, parcel number, and social security number) was keypunched into a computer file, and a printout containing a list of the SOG applicants was developed. BLM intended to use this printout as its primary refunding tool. However, when the printout was received in November 1980, numerous errors were detected, e.g., full names incorrectly keypunched, misspellings, and incorrect social security numbers. An additional month was expended running a second program using numerically ordered social security numbers cross-referenced to the applicant's name. Except for use as a back-up reference, the computer printouts proved ineffective for refunding purposes.

A May 1980 Comptroller General decision on applicable refunding procedures stated that all BLM refunds should be based on substantiated claims from the remitters. The decision also stated that the refunds be made under BLM's claims settlement procedures to avoid erroneous payments. As a result, BLM issued in the Federal Register on July 23, 1980, a notice requesting potential claimants to submit in writing to BLM a validated claim request. The time spent to develop BLM internal controls for processing claims was about 6 months. Coordination between the State and Washington, D.C., offices of BLM required additional time.

Incorrect, insufficient, or fraudulent information received from the remitters further compounded the refunding process. Examples of these problems included: (1) refund claims often containing a social security number that differed from the number on the original application, (2) claimants not recalling the parcel number they had bid on, (3) the amount of money submitted with the original application not equaling the number of parcels bid on or the amount requested by the remitter for refunding, (4) individuals submitting claims that originally were submitted under a filing service's name, and (5) claims received from individuals mistakenly assuming that their filing service had submitted an SOG application for them.

Because the computer printout was ineffective for refunding purposes, the Wyoming office, with additional funds from the Washington BLM office, began to alphabetize manually the approximately 348,000 applications requiring a refund. This process began in May 1981 and was completed in July 1981. The alphabetizing process was not timely primarily because of the high turnover rate among the temporary GS-1s hired for the task. Twenty-five individuals were hired to fill five temporary positions between May and September 1981.

As of October 8, 1981, the Wyoming office had $20,000 in unprocessed claims. The Eastern States Office had about $5,000 in claims that had not been processed as well. Refund claims for about $1.5 million in unearned filing fees were not received, and this amount will remain in the U.S. Treasury until July 1986 for future claims. The BLM anticipates that this amount will remain unclaimed and thereafter revert to the Government in 1986. The refunding of filing fees is estimated to cost BLM about $400,000 in additional personnel costs.

Public confusion and SOG redrawings caused by guaranteed remittances

BLM regulations require receipt in certain specified forms, commonly called a "guaranteed remittance" for the filing fee accompanying SOG lease applications. This requirement has caused confusion among the public and among BLM State offices as to what constitutes an acceptable form of remittance. Some SOG applicants, whose remittances were declared unacceptable by BLM State offices,

won appeals on BLM's rejection of their remittances. More than 100 SOG parcels were redrawn as a result. In addition, the Federal Government has lost revenues in the form of rejected filing fees which do not meet the requirements of a guaranteed remittance.

However, the public is moving toward greater acceptance and understanding of the guaranteed remittance concept, and BLM has defined more clearly what constitutes an acceptable form of remittance.

Initial problems using guaranteed remittances

When SOG leasing resumed with the July 1980 drawing, BLM required SOG participants to submit with their application a remittance of a $10 filing fee. The purpose of this requirement was to eliminate uncollectible personal checks. The original guidelines submitted to the field offices defined an acceptable remittance as including cash, certified checks, cashiers' checks, bank money orders, and postal money orders. Personal checks, personal money orders (including bank money orders), money orders from express companies, and checks and money orders from a savings and loan association were defined as unacceptable forms of remittances.

The BLM guidelines to the field proved inadequate. State offices applied differing interpretations, stringent to liberal, to what forms of remittances would be accepted. The Montana State office experienced problems with the July 1980 drawing. Several applicants, whose remittances were declared unacceptable appealed BLM's rejection of their application to Interior's Board of Land Appeals (IBLA). Eleven cases were reviewed by IBLA; the Montana State office lost 10 of these 11 cases. IBLA also expanded the criteria for acceptable remittances to include bank personal money orders and certified checks and money orders from savings and loan associations.

As a result of IBLA action, the Montana State office was directed to redraw contested parcels. One hundred and nine affected parcels were redrawn on August 27, 1981. A Montana BLM official said that a pending appeal on two parcels, in the November 1980 drawing, will be decided probably in the applicant's favor as well, since a bank personal money order is now an acceptable form of remittance. Since the November 1980 drawing, Montana has had no other problems with remittances. One other State, Wyoming, was subject to an IBLA appeals decision on guaranteed remittances. That decision, affecting 11 parcels of land, required BLM to accept bank personal money orders as an acceptable form of remittance.

Cost to the leasing program

In fiscal years 1979 and 1980, the Wyoming office incurred approximately $30,000 and $36,000, respectively, in uncollectible remittances, the majority from SOG filing fees. The Montana office has had a good record, receiving only about $2,700 in uncollectibles for fiscal years 1978-80. However, in the past, revenues lost to the

Federal Government by rejecting unacceptable remittances were substantially greater than losses resulting from bad checks. Since July 1980, the Wyoming office rejected over $370,000 in unacceptable remittances. Montana rejected over $120,000 (see below).

Unacceptable Remittances

Month	Wyoming	Montana
July 1980	$ 3,452	$ 64,790
Sept. 1980	206,230	9,870
Nov. 1980	39,020	11,906
Jan. 1981	46,332	7,460
Mar. 1981	36,331	4,740
May 1981	28,830	12,020
July 1981	10,270	3,660
Sept. 1981	(a)	6,980
Total	$370,465	$121,426

a/Figure not available from BLM's Wyoming State office

The amount of lost revenue to the Government, however, is declining (as displayed above).

Administrative costs attributed to processing bad checks and revenues lost from rejected guaranteed remittances are both minimal compared to the large amount of revenue generated from acceptable remittances. In September 1981, for example, the Montana BLM office rejected $6,980 in unacceptable remittances but acceptable remittances equaled $2,200,840. The costs may equal the benefits using the guaranteed remittance requirement.

Debatable initiatives on guaranteed remittance

BLM has proposed eliminating the guaranteed remittance requirement, but this proposal may have resulted more from an initial response to obstacles encountered in first implementing the requirement. Its continuation or termination should be considered more fully by BLM before any final decision is rendered.

The first SOG sales using the guaranteed remittance requirement experienced the most problems. Problems thereafter were minimal. In general, problems associated with use of guaranteed remittances have occurred in the Montana State office. Officials in that office acknowledge that their stringent interpretation of what constituted an acceptable form of remittance resulted in the IBLA decisions. However, these IBLA rulings have clarified acceptable forms of remittance. According to a Montana official, public acceptance and understanding of the guaranteed remittance concept is increasing, and BLM personnel have learned through experience to recognize an acceptable form of remittance.

Wyoming officials believe that the use of guaranteed remittances has reduced the amount of administrative time formerly expended on processing and collecting bad checks. One official stated that administrative time associated with processing uncollectible checks is four times the actual costs of the check itself. An unacceptable remittance requires minimal processing time. The remittance simply is returned to the applicant with an explanation as to why it was rejected.

However, receipts in cash are increasing as well, causing concerns over internal controls for handling greater amounts of cash. Prior to the use of guaranteed remittances, the Wyoming and Montana State offices averaged about $2,000 and $135, respectively, in cash received per filing period. Today, cash receipts average about $35,000 in Wyoming and $7,000 in Montana per filing period. This increase requires more accurate and secure accounting controls which, according to both State offices, are being implemented.

EFFORTS TO REDUCE OR ELIMINATE MONITORING PROCEDURE DELAYS FOR SOG

In January 1981, responsibility for investigating the SOG system fraud was transferred to Interior's Office of Inspector General (OIG). This transfer reduced the impact of the criminal investigation on the normal process of lease issuance. OIG eliminated clearing lease applications through the investigative team, sending all SOG lease applications to DSC for key punching (except Wyoming), and the recertifying qualification statements. Since August 1981, the OIG and BLM headquarters jointly issue all requests to State offices for investigation assistance, which will seriously affect operations or delay the lease issuance process.

BLM also plans to automate and centralize qualifications statements at DSC (as discussed on p. 26), a measure which will assist the oil and gas leasing program by reducing paperwork in

field offices. However, the DSC Director has stated that this "will defer other development work at DSC because of lack of resources."

Proposed new regulations will also help to eliminate problems caused by regulatory changes made at the time of the moratorium. The purpose of the changes in May 1980 was to protect the SOG system from fraudulant activities. However, those changes created new problems. The proposed new regulations will reduce information requirements and the attendant increased paperwork by BLM.

Also, BLM has made available pre-numbered assignment forms to the State offices, which reduces the paperwork processing required by leasing staff.

STAFF PROBLEMS OF THE OIL AND GAS LEASING PROGRAM

In May 1981, the Director of the Denver Service Center, in commenting to the program office concerning a draft memo on oil and gas leasing backlogs, pointed out that "BLM's long neglected land status records are marginally supporting current activities and will not support the increased activities that rapid development would require." He urged BLM to acknowledge the conditions of the land status records, and the loss of experienced land status personnel, noting that

--The turnover rate in land status personnel is 63 percent annually. Of the staff on hand, 62 percent do not have the experience needed to complete jobs on their own. And, only two state offices have experienced technical supervisors who can properly supervise their employees.

--Land status personnel are routinely assigned to perform other priority jobs such as processing SOG filings.

We also found staffing problems in BLM State Offices. 1/ For example, at the Wyoming State Office, staffing problems were discovered in the Accounts and Receiving Section, and the Oil and Gas Adjudicative Section. In the former section, the low grades of staff have led to retention problems, particularly involving those personnel who develop and process the bi-monthly SOG drawing. Transcribers in this section, responsible for inputing data from SOG applications into the computer program, are GS grades 1 and 2. In the latter section, paralegals prepare initial reviews of oil

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1/See U.S. General Accounting Office, "Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels," EMD-82-10, Dec. 4, 1981.

and gas case files that have terminated or expired for inclusions in the SOG process. They are generally graded at the GS 2-3 level. The unit supervisor over the transcribers and paralegals recently was promoted to a GS-7 position.

Because of the low grade structure, retention of experienced transcribers and paralegals is difficult. Higher graded positions in the oil and gas adjudication section promote paralegal turnovers as well. Among transcribers in the Wyoming State office, according to Wyoming officials, there is a 100-percent turnover every 4 months. This same turnover rate occurs among the paralegals every 11 months. BLM officials indicate that at least 3 months are needed to adequately train these personnel.

Also, staffing problems exist in the oil and gas adjudicative section. This section has the responsibilities to process OTC, SOG and competitive lease offers, requests for assignments, relinquishments, drilling bonds, extensions for drilling, rental rate notices, unit agreements and communitization agreements. Seven full-time and two part-time adjudicators are responsible for these aspects of onshore leasing. This area is backlogged considerably with its responsibilities. Specific adjudicators are assigned responsiblity for processing lottery offers, OTC offers, and unit agreements. There is a backlog of over 6,000 requests for assignments in the Wyoming State office, yet no adjudicator is assigned specifically to reducing assignment backlogs. According to one BLM official, assignments are processed in the spare time of the oil and gas adjudicators.

In addition, a long-standing BLM problem exists in recruiting and retaining mineral specialists (mining engineers, geophysicists, and geologists). BLM has done a study which attempts to address the skills and staffing needs of the Energy and Minerals Program, specifically looking at the minerals specialists in the field offices. Recommendations from the study had not yet been forwarded to management as of September 9, 1981, although the study has been underway for over a year and planned for almost a year prior to that.

The BLM draft study shows that the highest grade a minerals specialist can obtain without going into management is routinely a GS-12 at the State office level. This contrasts with the FS, where a similar lead minerals person for a region is a GS-13/14. At USGS, which was not compared in the BLM study, the grade structure is reportedly higher.

The turnover rate (12 percent) in mineral specialists also was found to be significant particularly because it is difficult for BLM to recruit the needed specialists with appropriate background. Other agencies, notably FS and USGS, benefit

from these trained personnel as does industry, where the salaries are significantly higher. For example, in Nevada in 1979, the average turnover rate for BLM geologists was 19 months. (It generally takes one year before an employee becomes knowledgeable and productive, according to the field offices.)

SERIOUS BACKLOGS IN MAINTAINING LAND STATUS RECORDS UNLIKELY TO BE RESOLVED BY CURRENT INITIATIVES

As noted previously, there are problems with the land status records. The DCS Director wrote to headquarters noting

> The land status records have serious backlogs of postings for oil and gas notations. The problem is more serious, however, because most states have serious backlogs in adjudications of applications after postings are made to the land status records.

The memo cited a number of existing conditions to support his conclusion:

> --54 percent of the Bureau's Master Title Plats have deteriorated to the point that nothing can be done until they are reconstructed.
>
> --There are many areas where land oil and gas plats do not exist. They must be constructed. (Often times this requires 2 or 3 days per plat.)
>
> --Increased public room hours have increased the delay in keeping land status records current.
>
> --One State admitted to 6 weeks of backlogs in posting land status records, but is really 11 months behind.
>
> --Another State office admitted to being 1 week behind in posting land status records but is really 6 months behind.

In the August instruction memorandum to all State Directors, mentioned previously, BLM directed that:

> "***in the absence of highly unusual circumstances, the public records, including serial register pages, are to be made current daily. We direct those State offices with backlogs in this area to determine a means by which the public records can be made current quickly. One possible means might involve a short temporary diversion of other personnel. Those offices which can eliminate this backlog without"

"seriously disrupting of other activities are to do so. Those offices which feel that solving this problem immediately will seriously disrupt other activities are to promptly submit a brief analysis of the situation to this office."

In our recent review of BLM's Eastern States Office, we found problems still exist in keeping public records current because of vacancies in clerical positions and the constant use of these documents by members of the public. 1/

And, in the BLM Wyoming State Office, the records and management branch is experiencing delays in posting expired leases and keeping public records current. Bureau policy requires State offices to update public records on a daily basis. The serial register pages in the public records display all actions on the lease taken since issuance--assignments, unit agreements, expirations, etc. The required daily posting is backlogged to March 1981. The records branch is also behind in its postings--now posting leases that expired or were cancelled/terminated in August 1980.

In addition, another instruction memorandum, on September 16, 1981, authorized a variable work schedule in order to allow the staff time to update the land records. This means that BLM will allow employees to start work earlier or later than the normal 8-hour work day in order to update the land records. This remedy was chosen in order to enable the public full access to the records.

In addition, since February 1980, the BLM public room hours were extended to the entire workday, making BLM records available to the public for the entire day. As of September 1981, the Wyoming office was 7 months behind in its updating of public lands records, and BLM officials attribute such backlogs to the increased public room hours. Prior to February 1980, the public did not have access to BLM records until 10:00 a.m. The time prior to opening the public room was used for noting oil and gas leases, offers, and land status changes to the records. According to BLM officials, the posting of public binders takes six individuals approximately 1 hour daily to update 100 to 200 status changes. Updating serial register pages and case files requires five individuals approximately 1 hour daily to update 25 to 50 serial pages and case files. With the extended public hours, BLM personnel are competing with public users of land status records.

1/"Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels," EMD-82-10, Dec. 4, 1981.

CONTINUED ABSENCE OF A COHESIVE AND WORKABLE ORGANIZATION AND MANAGEMENT STRUCTURE

In order to place these problems in perspective, how BLM is organized must be understood. BLM has a totally decentralized oil and gas leasing program. Each State office manages the lands under its jurisdiction and is accountable to the headquarters' program office only through the budget process. Thus, management by headquarters is accomplished through the use of directives (an order "to do" and "how to do"). In the past, adequate guidance has not always been provided to the field, and State offices did not always follow directives received. Also, directives to the field often were interpreted differently by the various State offices, which has created problems, e.g., the guaranteed remittance problem discussed in this chapter.

BLM management, coordination, and communication must be improved if the goal of accelerated leasing is to be realized.

PREVIOUS GAO RECOMMENDATIONS TO EXPEDITE PROCESSING OF OIL AND GAS LEASES

In our December 1981 report, 1/ we identified problems at BLM's Eastern States Office, which we stated could have broader implications for the Interior Department. The report included recommendations to the Secretary of the Interior directed to BLM's Eastern States Office. In order to expedite mineral lease issuance, we recommended that the Secretary direct BLM to take actions to relieve the field office workload, such as by

--closing the field office to the public for some period (perhaps 1 day a week) in order to give staff uninterrupted time to work on backlogs;

--hiring technically knowledgeable persons, such as an experienced retiree or annuitant, to work in the field office's public room and answer the public's questions about lease records; and

--sending a task force to audit the field office's public room records and the docket branches.

To assist the field office in recruiting and maintaining dedicated staff, we recommended that the Secretary direct BLM to

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1/"Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels," EMD-82-10, Dec. 4, 1981.

--implement a personnel evaluation of field office staffing to determine whether the personnel structure is adequate to recruit and retain the necessary personnel to process leases and maintain the public land status records.

We believe these recommendations may prove useful to the Secretary of the Interior as the Department grapples with the question of how to expedite lease processing in the most efficient and effective manner.

CHAPTER 5

CONCLUSIONS

The goal of the new administration to accelerate access to Federal lands for onshore oil and gas leasing has not progressed as quickly as the administration had anticipated.

The Department of the Interior and, more specifically, the Secretary himself, is mainly responsible for the initiatives that have been taken to accelerate access to Federal lands. This emphasis also has been supported by the Department of Agriculture for Forest Service lands. We found no indications that the White House or OMB directed or was specifically involved in taking any of the initiatives, although the initiatives taken obviously are consistent with more general proclamations and statements of policy from the highest levels in the new administration, including the President. Some of the initiatives taken or proposed also are consistent with recommendations included in our February 1981 report.

Overall, little additional Federal land has actually been leased to date. Interior has made steady progress in implementing congressional mandates to open Alaskan lands for leasing. However, leasing in Alaska is only beginning. Other Interior access initiatives have been less successful. For example, in August 1981 the Interior Secretary opened 6.6 million acres of acquired military land for leasing. However, it is doubtful whether many new leases will be issued. In addition, administration efforts to lease designated wilderness areas have been thwarted by congressional and public opposition. And finally, the 12 million acres of wildlife refuges in the lower 48 States which legally could be leased are prohibited from being leased by BLM regulations--and the Director of BLM recently decided not to change the regulations.

The basic leasing system--including both its noncompetitive and competitive components (described in ch. 1)--stems from longstanding laws and regulations which basically have remained unchanged, although efforts are underway to streamline certain procedures and make the system more efficient. Yet, the leasing program is plagued with problems which are stifling BLM's ability to keep up with offering leases on lands already available for leasing. Based on these problems and staffing and budgetary constraints, it is difficult to see how the program can respond to any major increase in leasing activity even if substantially more lands are opened up for that purpose.

Naturally with the less than anticipated progress made by the administration in opening up more Federal lands for leasing, industry capabilities will likely not be overly taxed. As pointed out in our offshore report (EMD-81-26, Dec. 18, 1981), industry has been substantially expanding its drilling and other

capabilities for offshore activities. The same holds true for onshore activity, but this may be a moot point in view of the seemingly slower pace of onshore leasing. In a separate report, which should be issued in early spring, we will analyze the extent to which industry is diligently exploring and developing the Federal onshore lands already under lease.

As to compliance with environmental requirements--since the leasing system has remained basically unchanged--the same environmental safeguards exist as have existed in prior years. The only change noted was a regulation for the "categorical exclusion review" (see p. 28)--a change developed by Interior prior to the new administration and made effective January 23, 1981--which eliminates the need for individual assessments on most noncompetitive leases. The Council on Environmental Quality found that the environmental review procedures--including the emphasis on categorical exclusions--were consistent with applicable environmental laws. But we did not examine first hand whether the State offices are following them. We did find indications in BLM documents that field staff are underutilizing the new CER procedures--which are designed to speed up lease issuance when BLM makes a judgment that there is no significant environmental impact. For now, the leasing system itself has not been changed and continues to have appropriate built-in safeguards to protect the environment.

Interior has established task forces to study some of the problems we cited in a 1981 report as well as others, but it is not clear what final actions will be taken to implement certain of these recommendations or whether such measures would assist Interior in responding to increased leasing activity within staffing and budgetary constraints.

While our study was directed to providing an overview for the Chairman, Subcommittee on Oversight and Investigations, House Committee on Energy and Commerce, and was not intended to be carried out in sufficient depth to lead to any new recommendations, we note that the administration--and, in particular, the Department of the Interior--needs to take a realistic look at how it can significantly increase onshore oil and gas leasing in view of problems in the system and its staffing and budgetary constraints. As the Department grapples with this dilemma, we believe that recommendations in two previous GAO reports--"Actions Needed to Increase Federal Onshore Oil and Gas Exploration and Development" (EMD-81-40, Feb. 11, 1981), and "Streamlining and Ensuring Mineral Development Must Begin at Local Land Management Levels" (EMD-82-10, Dec. 4, 1981)--may prove useful. The recommendations from the two reports are cited, as appropriate, throughout the body of this report. (See pp. 23 to 24, 36, and 51 to 52.)

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